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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
Western Division**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

AMERICAN PATRIOT BRANDS,  
INC., *et al.*,

Defendants.

Case No. 2:23-cv-05379-AH-BFM

**JOINT STATUS REPORT ON THE  
CASE AND ON SETTLEMENT**

Plaintiff Securities and Exchange Commission (the “SEC”), Defendants American Patriot Brands, Inc., Urban Pharms, LLC, DJ&S Property #1, LLC, TSL Distribution, LLC, Robert Y. Lee, Brian L. Pallas and J. Bernard Rice (the “Defendants”), and Relief Defendants Puerto Rico One Corporation, Castro Business Enterprises, LLC and Legion Accounting Services, Inc. (the “Relief Defendants”) (collectively, the “Parties”), respectfully submit this Joint Status Report on the Case and on Settlement, in furtherance of the Court’s Order Granting

1 Stipulation to Set the Trial Date and Other Case Deadlines filed January 7, 2025  
2 (the “Scheduling Order”) [Dkt. No. 106].

3 **JOINT STATUS REPORT ON THE CASE**

4 1. The Parties do not believe that a jury trial in this case is needed  
5 considering the Court’s ruling on summary judgment.

6 2. On June 16, 2025, the Court issued an order granting the SEC’s  
7 motion for partial summary judgment, determining that Defendants had violated  
8 Section 17(a) of the Securities Act of 1933 [15 U.S.C. §77q(a)] and Section 10(b)  
9 of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder [15 U.S.C.  
10 § 78j(b); 17 C.F.R. § 240.10b-5] (the “Summary Judgment Order”) [Dkt. No. 122].

11 3. As noted in the Summary Judgment Order, the SEC did not seek  
12 summary judgment as to “all of Defendants’ fraudulent misstatements, omissions,  
13 and deceptive conduct, which [the SEC] reserves its rights with respect thereto.”  
14 [Dkt. No. 122 at 3].

15 4. Notwithstanding its reservation of rights, the SEC has determined to  
16 proceed to the determination of remedies and entry of final judgment rather than  
17 conduct a jury trial regarding the unresolved allegedly fraudulent misstatements,  
18 omissions, and deceptive conduct for which the SEC did not seek summary  
19 judgment, including because (a) the Summary Judgment Order finds liability for  
20 Counts I and II of the Complaint for all named Defendants, (b) the Summary  
21 Judgment Order addresses most of the fraudulent misstatements, omissions, and  
22 deceptive conduct at issue in this case (including by finding liability with respect to  
23 each of the four securities offerings at issue in this case), and (c) the SEC believes  
24 that holding a jury trial with respect to the few remaining unresolved  
25 misstatements, omissions, and deceptive conduct would not be in the interests of  
26  
27  
28

1 judicial economy considering the determinations of liability made by the Court in  
2 the Summary Judgment Order.<sup>1</sup>

3 5. On July 16, 2025, the SEC informed Defendants and Relief  
4 Defendants that it was willing to forego a trial on the remaining liability issues and  
5 to proceed to the determination of remedies, any unjust enrichment to the Relief  
6 Defendants, and entry of final judgment. On the same day, the SEC transmitted a  
7 proposed Stipulation and Order to Defendants and Relief Defendants setting forth a  
8 procedure for the determination of remedies.

9 6. Defendants and Relief Defendants are still considering that proposal  
10 and do not believe that a jury trial is necessary.

11 7. The Parties have not filed any motions *in limine*, memoranda of  
12 contentions of fact and law, a joint witness list, or a joint exhibit list considering  
13 the SEC's decision to proceed to the determination of remedies and entry of final  
14 judgment.

15 8. The Parties anticipate filing imminently a proposed Stipulation and  
16 Order vacating the final pretrial conference date and jury trial dates and setting  
17 forth a proposed procedure for determination of remedies and determination of any  
18 unjust enrichment of the Relief Defendants.

19 **JOINT STATUS REPORT REGARDING SETTLEMENT**

20 9. Further to the Scheduling Order's requirement to submit a Joint Status  
21 Report Regarding Settlement, the Parties note that they conducted a settlement  
22 conference before Magistrate Judge Fuller Mircheff on February 25, 2025. [Dkt.  
23 No. 110].

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25 <sup>1</sup> For the avoidance of doubt, in the event that this case were to proceed to trial for  
26 any reason, the SEC reserves its right to put forward and seek the adjudication of  
27 all of Defendants' fraudulent misstatements, omissions, and deceptive conduct,  
28 including those misstatements, omissions, and deceptive conduct not raised in its  
motion for partial summary judgment.

10. The Parties intend to engage in further settlement discussions regarding the appropriate remedies and any unjust enrichment of the Relief Defendants in advance of briefing the remedies issues. The Parties believe that they may be able to reach agreement on at least some remedies-related issues and thereby narrow the issues before the Court.

Dated: August 12, 2025

Respectfully submitted,

/s/ Eugene N. Hansen

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Pursuant to L.R. 5-4.3.4(a)(2)(i), I attest that all signatories listed, and on whose behalf the filing is submitted, concur in the filing's content and have authorized the filing.

/s/ Eugene N. Hansen

Eugene N. Hansen (pro hac vice)